

STATE OF HAWAII — DEPARTMENT OF TAXATION
**Computation of Tax for Children Under Age 14 Who
Have Investment Income of More than \$1,000****1996**

➤ See Instructions below and on back

➤ **Attach ONLY to the Child's Form N-11, Form N-12, Form N-13, or Form N-15**

Child's name shown on return		Child's social security number
A Parent's name (first, initial, last) (Caution: See Instructions on back before completing)		B Parent's social security number
C Parent's filing status (check one): <input type="checkbox"/> Single, <input type="checkbox"/> Married filing jointly, <input type="checkbox"/> Married filing separately, <input type="checkbox"/> Head of household or <input type="checkbox"/> Qualifying widow(er)		
D Enter number of exemptions claimed on parent's return. (If the parent's filing status is married filing separately, see Instructions.) ➤		

Step 1 Figure child's net investment income

1 Enter the child's investment income, such as taxable interest and dividend income (See Instructions. If this amount is \$1,000 or less, stop here; do not file this form.)	1		
2 If the child DID NOT itemize deductions on Form N-11, Form N-12, or Form N-15, enter \$1,000. If the child ITEMIZED deductions, see Instructions.	2		
3 Line 1 minus line 2. Enter the result. (If zero or less, stop here; do not complete the rest of this form but ATTACH it to the child's return.)	3		
4 Enter the child's taxable income (from Form N-11, line 24; Form N-12, line 36; Form N-13, line 15; or Form N-15, line 38)	4		
5 Compare the amounts on lines 3 and 4 and enter the smaller of the two amounts. ➤	5		

Step 2 Figure tentative tax based on the parent's tax rate

6 Enter the parent's taxable income (from Form N-11, line 24; Form N-12, line 36; Form N-13, line 15; or Form N-15, line 38). If the parent transferred property to a trust, see Instructions.	6		
7 Enter the total, if any, of the net investment income from Forms N-615, line 5, of ALL OTHER children of the parent listed above. (Do NOT include the amount on line 5 above)	7		
8 Add the amounts on lines 5, 6, and 7. Enter the total	8		
9 Tax on the amount on line 8 based on the parent's filing status. See Instructions. Check if from <input type="checkbox"/> Tax Table, <input type="checkbox"/> Tax Rate Schedule, <input type="checkbox"/> Capital Gains Tax Worksheet in the Instructions for Form N-11, or <input type="checkbox"/> Schedule D (Form N-15)	9		
10 Enter the parent's tax (from Form N-11, line 26; Form N-12, line 37; Form N-13, line 16; or Form N-15, line 39)	10		
11 Line 9 minus line 10. Enter the result. (If no amount is entered on line 7, enter the amount from line 11 on line 13; skip lines 12a and 12b.)	11		
12a Add the amounts on lines 5 and 7. Enter the total. 12a			
b Divide the amount on line 5 by the amount on line 12a. Enter the percentage. 12b			
13 Multiply the amount on line 11 by the percentage on line 12b. Enter the result. ➤ 13			

Step 3 Figure child's tax — If the amounts on lines 4 and 5 are the same, enter -0- on line 15 and go to line 16.

14 Line 4 minus line 5. Enter the result. 14			
15 Tax on the amount on line 14 based on the child's filing status. See Instructions. Check if from <input type="checkbox"/> Tax Table, <input type="checkbox"/> Tax Rate Schedule, <input type="checkbox"/> Capital Gains Tax Worksheet in the Instructions for Form N-11, or <input type="checkbox"/> Schedule D (Form N-15)	15		
16 Add the amounts on lines 13 and 15. Enter the total.	16		
17 Tax on the amount on line 4 based on the child's filing status. Check if from <input type="checkbox"/> Tax Table, <input type="checkbox"/> Tax Rate Schedule, <input type="checkbox"/> Capital Gains Tax Worksheet in the Instructions for Form N-11, or <input type="checkbox"/> Schedule D (Form N-15)	17		
18 Compare the amounts on lines 16 and 17. Enter the larger of the two amounts here and on Form N-11, line 26; Form N-12, line 37; Form N-13, line 16; or Form N-15, line 39. (Whole dollars only) Be sure to check the box for Form N-615. ➤ 18			00

General Instructions

Purpose of Form. — For children under age 14, investment income (such as taxable interest and dividends) over \$1,000 is taxed at the parent's rate if the parent's rate is higher than the child's rate.

Do not use this form if the child's investment income is \$1,000 or less. Instead, figure the tax in the normal manner on the child's income tax return. For example, if the child had \$900 of taxable interest income and \$200 of wages, Form N-615 is not required to be completed and the child's tax should be figured on Form N-13 using the Tax Table.

If the child's investment income is more than \$1,000, use this form to see if any of the child's investment income is taxed at the parent's rate and, if so, to figure the child's tax. For example,

if the child had \$1,100 of taxable interest income and \$200 from wages, complete Form N-615 and attach it to the child's Form N-13.

Internet Address. — The Department of Taxation's site on the Internet is:

<http://www.hawaii.gov/icsd/tax/tax.html>
Tax forms can be found at:
<http://www.hawaii.gov/icsd/tax/taxforms.html>

Investment Income. — As used on this form, "investment income" includes all taxable income other than earned income as defined on page 2. It includes income such as taxable interest, dividends, capital gains, rents, royalties, etc. It also includes annuity income and income (other than earned income) received as the beneficiary of a trust.

Who Must File. — Generally, Form N-615 must be filed for any child who was under age 14 on January 1, 1997, and who had more than \$1,000

of investment income. If neither parent was alive on December 31, 1996, do not use Form N-615. Instead, figure the child's tax based on his or her own rate.

Note: The parent may be able to elect to report the child's investment income on his or her return. If the parent makes this election, the child will not have to file a return or Form N-615. For more information, see Instructions for Form N-11, Form N-12, or Form N-15 or get Form N-814, Parent's Election To Report Child's Interest and Dividends.

Additional Information. — For more information about the tax on investment income of children, get federal Publication 929, Tax Rules for Children and Dependents.

Line-by-Line Instructions

We have provided specific instructions for most of

the lines on the form. Those lines that do not appear in these instructions are self-explanatory.

Lines A and B. — If the child's parents were married to each other and filed a joint return, enter the name and social security number of the parent who is listed first on the joint return. For example, if the father's name is listed first on the return and his social security number is entered in the block labeled "Your social security number," enter his name on line A and his social security number on line B.

If the parents were married but filed separate returns, enter the name and social security number of the parent who had the **higher** taxable income. If you do not know which parent has the higher taxable income, see federal Publication 929.

If the parents were unmarried, treated as unmarried for State income tax purposes, or separated either by a divorce or separate maintenance decree, enter the name and social security number of the parent who had custody of the child for most of the year (the custodial parent). **Exception:** If the custodial parent remarried and filed a joint return with his or her new spouse, enter the name and social security number of the individual who is listed first on the joint return even if that individual is not the child's parent. If the custodial parent and his or her new spouse filed separate returns, enter the name and social security number of the person with the **higher** taxable income, even if that person is not the child's parent.

Note: If the parents were unmarried but lived together during the year with the child, enter the name and social security number of the parent who had the **higher** taxable income.

Line D. — If the parent's filing status is married filing separately and the parent claimed an exemption for his or her spouse, write "Spouse" in the space to the left of the box on line D.

Line 1. — If the child had no earned income (defined below), enter the child's adjusted gross income (from Form N-11, line 19; Form N-12, line 31; Form N-13, line 11; or Form N-15, line 33).

If the child had earned income, use the worksheet below to figure the amount to enter on line 1. However, if the child had a net loss from self-employment or claims a net operating loss deduction, use the worksheet in federal Publication 929 instead of the one below to figure the amount to enter on Form N-615, line 1.

Worksheet (keep a copy for your records)

1. Enter the total income amount from the child's federal Form 1040; Form N-12, line 19; Form N-13, line 11; or Form N-15, line 21, whichever applies.
2. Enter the child's earned income (defined below) plus any deduction for interest penalty on early withdrawal of savings the child claims on federal Form 1040; Form N-12, line 25; or Form N-15, line 27, whichever applies.
3. Line 1 minus line 2.
Enter the result here
and on Form N-615, line 1.

Earned Income includes wages, tips, and other payments received for personal services performed. Generally, earned income is the total of the amounts reported as wages, salaries, tips, etc., business income (loss), and farm income (loss) on federal Form 1040; Form N-12, lines 7 and 12b; Form N-13, line 7; or Form N-15, lines 7, 12, and 18.

Line 2. — If the child itemized deductions on Form N-11, Form N-12, or Form N-15, enter on line 2 the **greater** of:

- \$500 plus the portion of the amount on Form N-11, line 21, Form N-12, line 33, or Form N-15, line 34h, that is directly connected with the production of the investment income on Form N-615, line 1; **OR**
- \$1,000

Line 6. — Enter the taxable income shown on the tax return of the parent identified on line A of Form N-615. If the parent's taxable income is less than zero, enter zero on line 6. If the parent filed a joint return, enter the taxable income shown on the return even if the parent's spouse is not the child's parent.

Caution: If the parent transferred property to a trust which sold or exchanged the property during the year at a gain, include any gain that was taxed to the trust under Internal Revenue Code (IRC) section 644 in the amount entered on line 6. Write "IRC Section 644" and the amount on the dotted line next to line 6. Also see the **Caution** below the instructions for line 10.

Line 7. — If the individual identified as the parent on this Form N-615 is also

identified as the parent on any other Form N-615, add the amounts, if any, from line 5 on each of the other Forms N-615 and enter the total on line 7.

Line 9. — Figure the tax on the amount on line 8 using the Tax Table, Tax Rate Schedules, Capital Gains Tax Worksheet in the Instructions for Form N-11, or Schedule D (Form N-15), whichever applies. If any net capital gain is included on lines 5, 6, and/or 7, the tax on the amount on line 8 (the total of those lines) may be less if the Capital Gains Tax Worksheet or Part IV of Schedule D (Form N-15) can be used to figure the tax. (See federal Publication 929 for information on how to figure the net capital gain included on line 8.) The Capital Gains Tax Worksheet or Part IV of Schedule D (Form N-15) should be used to figure the tax if:

the parent's filing status is	AND	the amount on Form N-615, line 8, is over
• Single		\$ 5,500
• Married filing joint return or Qualifying widow(er) with dependent child		\$ 11,000
• Married filing separate return		\$ 5,500
• Head of household		\$ 11,000

If the Capital Gains Tax Worksheet or Schedule D (Form N-15) is used to figure the tax:

1. Enter on line 1 of the worksheet or line 20 of Schedule D, the amount from Form N-615, line 8;
2. Enter on line 8 of the worksheet or line 21 of Schedule D, the net capital gain included on Form N-615, line 8;
3. Complete the worksheet or Part IV of Schedule D; and
4. Enter on Form N-615, line 9, the amount from line 17 of the worksheet, and check the box for "Capital Gains Tax Worksheet"; or the amount from line 30 of Schedule D, and check the box for "Schedule D".

If Schedule D (Form N-15) is used to figure the tax, enter the child's name and social security number at the top of Schedule D, Page 2; and attach Schedule D, Page 2 to the child's return.

Caution: If the parent is filing Schedule D (Form N-15) with his or her own return, **DO NOT** attach that Schedule D to the child's return.

Line 10. — Enter the tax as shown on the tax return of the parent identified on Form N-615, line A. If the parent filed a joint return, enter the tax shown on that return even if the parent's spouse is not the child's parent. If the parent filed Form N-814, enter "Form N-814" and the total tax from line 8 of Form(s) N-814 in the space next to line 10 of Form N-615.

Caution: If line 6 includes any gain taxed to a trust under IRC section 644, add the tax imposed under IRC section 644(a)(2)(A) to the tax shown on the parent's return. Enter the total on line 10 instead of entering the tax from the parent's return. Write "IRC Section 644" on the dotted line next to line 10.

Line 15. — Figure the tax on the amount on line 14 using the Tax Table, Tax Rate Schedules, the Capital Gains Tax Worksheet in the Instructions for Form N-11, or Schedule D (Form N-15), whichever applies. If the amount on line 14 is more than \$5,500 and includes any net capital gain, the tax on the amount on line 14 may be less if the Capital Gains Tax Worksheet or Part IV of Schedule D (Form N-15) is used to figure the tax. See federal Publication 929 for information on how to figure the net capital gain included on line 14.

If the Capital Gains Tax Worksheet or Schedule D (Form N-15) is used to figure the tax, follow the steps in the instructions for line 9. However, on line 1 of the worksheet or line 20 of Schedule D, enter the amount from Form N-615, line 14. On line 8 of the worksheet or line 21 of Schedule D, enter the net capital gain included on line 14. Enter on Form N-615, line 15, the amount from line 17 of the worksheet, and check the box for "Capital Gains Tax Worksheet"; or the amount from line 30 of Schedule D, and check the box for "Schedule D".

Line 17. — Figure the tax on the child's taxable income as if these rules did not apply. For example, if the child can use the Capital Gains Tax Worksheet in the Instructions for Form N-11 to figure his or her tax, complete that worksheet.

Line 18. — Compare the amounts on lines 16 and 17, then enter the larger of the 2 amounts on line 18. Round the amount to the nearest dollar. Be sure to check the box for "Form N-615" on the appropriate line of the child's tax return even if the amount on line 17 is the larger of the 2 amounts.

Amended Returns. — If after the child's return is filed, the parent's taxable income is changed or the net investment income of any of the parent's other children is changed, the child's tax must be refigured using the adjusted amounts. If the child's tax is changed as a result of the adjustment(s), file an amended individual income tax return to correct the child's tax.